

MONTANA PUBLIC EMPLOYEES' RETIREMENT BOARD

TITLE: Interest Rates

POLICY NO: BOARD Admin 03

EFFECTIVE DATE: 5/27/2004

I. POLICY AND OBJECTIVE

The Public Employees' Retirement Board (the Board) establishes interest rates for all defined benefit retirement systems or plans administered by the Montana Public Employee Retirement Administration (MPERA) pursuant to this policy. It is intended that this policy comply with section 19-2-403, MCA.

II. PROCEDURES

A. Interest Credited to Member Accounts

1. The interest rate used to credit interest to member accounts shall be based on the average variation in short-term interest rates.
2. The interest rate shall be determined as follows:
 - a. Each February, the MPERA staff shall analyze three and six-month Treasury Bills and one-year Treasury Notes for any variation in interest rates over the immediately proceeding eight months (June through January).
 - b. If the MPERA staff finds a common trend in the variation of interest rates for these three investments, the Executive Director shall calculate the change to the interest rate to be applied to member accounts and recommend this change to the Board.
 - i. The Executive Director shall base the change (increase or decrease) on the average variation in interest rates for the three investments, adjusted to the nearest 0.5%.

- ii. If the trend was continuous over the 13 months preceding the analysis (January through January), the Executive Director may recommend a further adjustment of an additional +/- .25% or +/- .5% and shall provide the rationale for the adjustment to the Board.

B. Interest Rate for Installment Payments

Beginning July 1, 1993, the interest rate for purchasing service on installment contracts shall be set at the actuarially required rate of return as established by the Board.

III. CROSS REFERENCES

The following laws, rules or policies may contain provisions that apply to this policy. The list should not be considered exhaustive – others may also apply.

Section 19-2-303(1) and (34), MCA
Section 19-2-403(8), MCA
Section 19-2-506, MCA
Section 19-2-602, MCA
Section 19-2-704, MCA
ARM 2.43.420
ARM 2.43.603
ARM 2.43.404

VI. HISTORY

G6.92.1 – Interest Rates
Originally Approved June 1992
Amended May 27, 1993
Amended April 20, 1998
Amended May 27, 2004